

Ecological Transformation Plan

Inclusive and sustainable development to overcome the climate emergency

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Summary of presentation

- Ecological Transformation Plan
- Legislative measures already approved
- Administrative measures already implemented
- Upcoming key actions
- Estimated impact on the Brazilian economy

The slide features a vibrant, abstract background with four main color regions: a large green area on the left, a red area at the top right, a yellow area at the bottom right, and a blue area at the bottom left. The text 'Ecological Transformation Plan' is centered in the green area.

Ecological Transformation Plan

Brazil's competitive advantages

Brazil is well-positioned for a low-carbon economy:

- **Abundant renewable energy and a robust, nationally integrated, infrastructure.**
- **Reserves of critical minerals for energy transition.**
- **Abundant land for food and energy crops without deforestation.**
- **Rich biodiversity with sophisticated protection mechanisms.**
- **A diversified industrial park with well-established steel, chemical, and automotive sectors.**
- **A robust financial system, including consistently performing development banks.**

Objectives

- 1) **Income and green jobs:** productivity gains and generation of quality jobs through the incorporation of technological innovations in industrial processes and in the use of natural resources
- 2) **New relation between production and environment:** reduction of economic activity's environmental footprint, notably greenhouse gas emissions and loss of biodiversity
- 3) **Promote a just transition:** equitable development by reducing income, race, gender and regional inequalities, with shared benefits

Plan Structure

OBJECTIVES



AXES



Sustainable Finance



Technological Densification



Bioeconomy and Agri-food Systems



Energy Transition



Circular Economy



Green Infrastructure and Adaptation

TOOLS

Financial



Fiscal



Regulatory



Administrative



Credit



Monitoring





Three-Power Pact for Ecological Transformation

**Main legislative
measures already
approved**



Main legislative measures

- **Mover Plan:** Over R\$ 100 billion in new investments announced.
- **Low-Emission Hydrogen Legal Framework:** Legal framework approved, awaiting sanction of the financial credit bill. Tax incentives capped at R\$ 18 billion until 2032, with potential to leverage investments of over R\$ 130 billion.
- **Future Fuels:** Over R\$ 200 billion investments in ethanol, biodiesel, green diesel, biogas, SAF, synthetic fuels, and carbon capture, usage, and storage, according to the Ministry of Mines and Energy (MME).
- **Eco Invest:** hedge program for sustainable investments. Potential for investment linked to the powershoring strategy (use of renewables).
- **Incentivized Debentures and Infrastructure Debentures:** New system already resulted in an increase in emissions from R\$ 14 billion in 2023 to R\$ 83 billion in 2024 (accumulated Jan-Jul).
- **Tax Reform:** Various sustainability elements such as development fund criteria, green vehicle tax, revenue-sharing, and selective tax.

**Main administrative
measures already
implemented**



Main administrative measures (1/2)

- **Issuance of sustainable green bonds:** US\$ 4 billion (R\$ 20 billion) raised in two issuances.
- **Restructuring of the Climate Fund (Fundo Clima):** From R\$ 0,2 billion annually to R\$ 10 billion annually, 50 times more, with strong demand for credit and local content rules.
- **Eco Invest Brazil:** First notice published with potential to leverage R\$ 50 billion in investments, 6 to 10 times the auctioned amount (US\$ 1 to 2 billion).
- **Restructuring of National Fund for Scientific and Technological Development:** R\$ 12 billion annually with increasing values and new missions aligned with New Industry Brazil.
- **Innovation TR:** Definition of a differentiated interest rate for innovation projects, with R\$ 6 billion annually from Workers' Support Fund (FAT).
- **R&D funds from regulated sectors:** Redesign of funds to prioritize integration with low-carbon companies and projects.



Main administrative measures (2/2)

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- **Ecological criteria for the Harvest Plan:** Prohibition of deforestation, support for the recovery of degraded areas, and incentives for low-carbon practices.
- **Import tariffs:** Increased tariffs on solar panels, wind turbines, and electric vehicles.
- **Regional funds with local content criteria:** Avoid financing with subsidies for the import of equipment without nationalization or regionalization incentives.
- **Public purchases with national content, such as electric buses:** National content rules for electric buses added to FGTS and the Climate Fund for PAC financing.
- **Restoration Arc:** R\$ 1 billion in 2024 for forest restoration in the Amazon through the Amazon Fund and Climate Fund (Brazilian Development Bank - BNDES).

Upcoming key actions



Upcoming key actions

LEGISLATIVE PROPOSALS STILL PENDING IN CONGRESS

- **Carbon Market:** Estimated positive impacts on GDP growth, investment rate, unemployment reduction, etc. (World Bank estimate).
- **Offshore Wind:** Potential to unlock at least R\$ 20 billion with project development investments.



Upcoming key actions

ADMINISTRATIVE MEASURES (1/2)

- Creation of the Three-Power Pact for Ecological Transformation committee.
- Brazil Investment Platform for Ecological Transformation.
- Sustainable and innovative universities: Structuring the innovation centers of research institutions.
- Partnership with Fraunhofer for low-carbon hydrogen.
- Sustainable Taxonomy: Classification system for environmental and social sustainability.



Upcoming key actions

ADMINISTRATIVE MEASURES (1/2)

- Technological challenges in strategic themes.
- Green visa for investors and skilled labor related to ecological transformation.
- Green certification for low-carbon activities.
- Eco Invest regulation and auctions.
- Tropical Forest Finance Facility: Tropical forest fund.



4. Estimated impacts on the Brazilian economy

Carbon Market Impacts

World Bank simulations for Brazil (PMR Brazil Project):



GDP growth

22% above the reference scenario



Unemployment

12% below the reference scenario

Real income of the poorest 20%

25% above the reference scenario

Revenue generated (2021-2030)

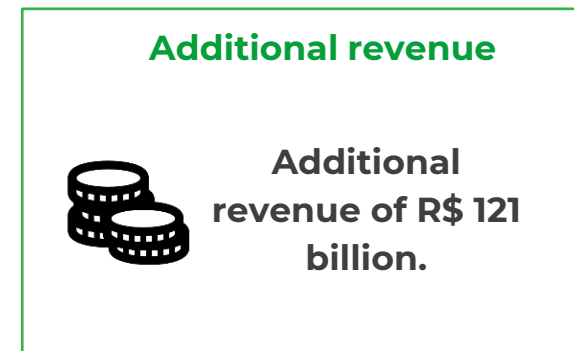
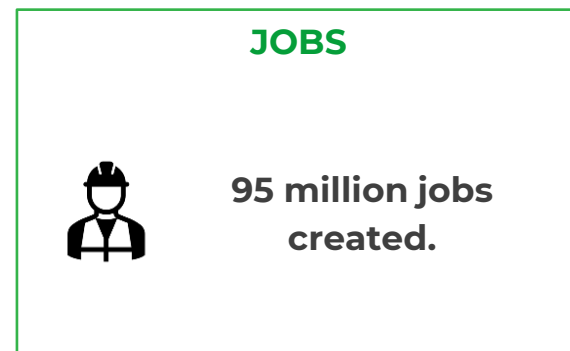
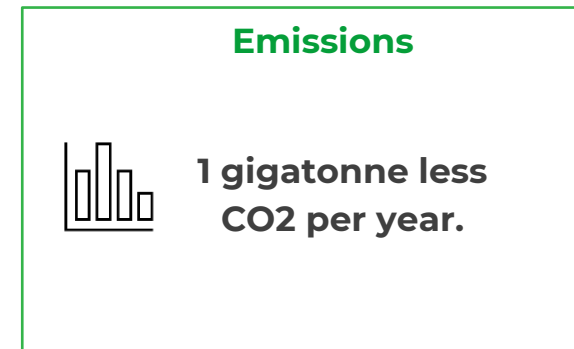
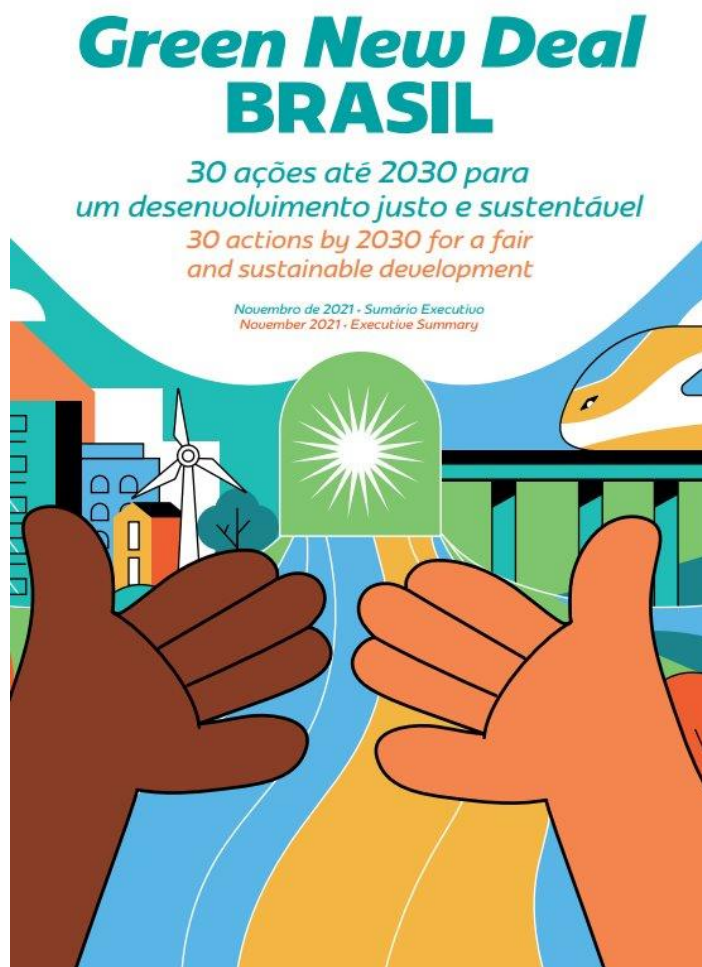
R\$ 40 to 120 billion

The numbers represent the difference between the scenario with the carbon market and the baseline scenario without the system.

Source: World Bank, PMR Brazil Project, 2020.

Green New Deal Brazil (GND-BR) - Estimated Results

Main results of the GND-BR simulations (Green New Deal Brazil)

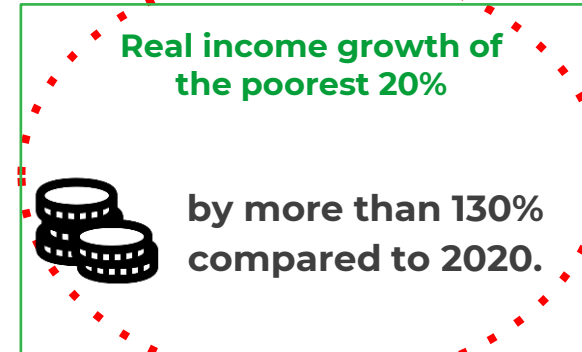
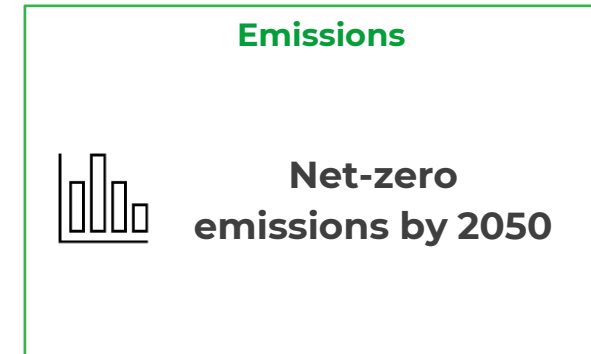
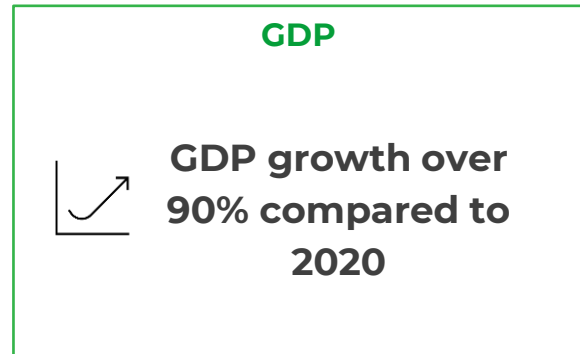


Source: Young, Costa, Alvarenga Júnior, Green New Deal Brazil – 30 Actions by 2030 for Just and Sustainable Development, 2021.

Note: The numbers represent the difference between the scenario with the suggested actions and the baseline scenario.

COPPE/UFRJ Estimated Results

Achievement of net-zero emissions by 2050 while preserving economic and social progress.



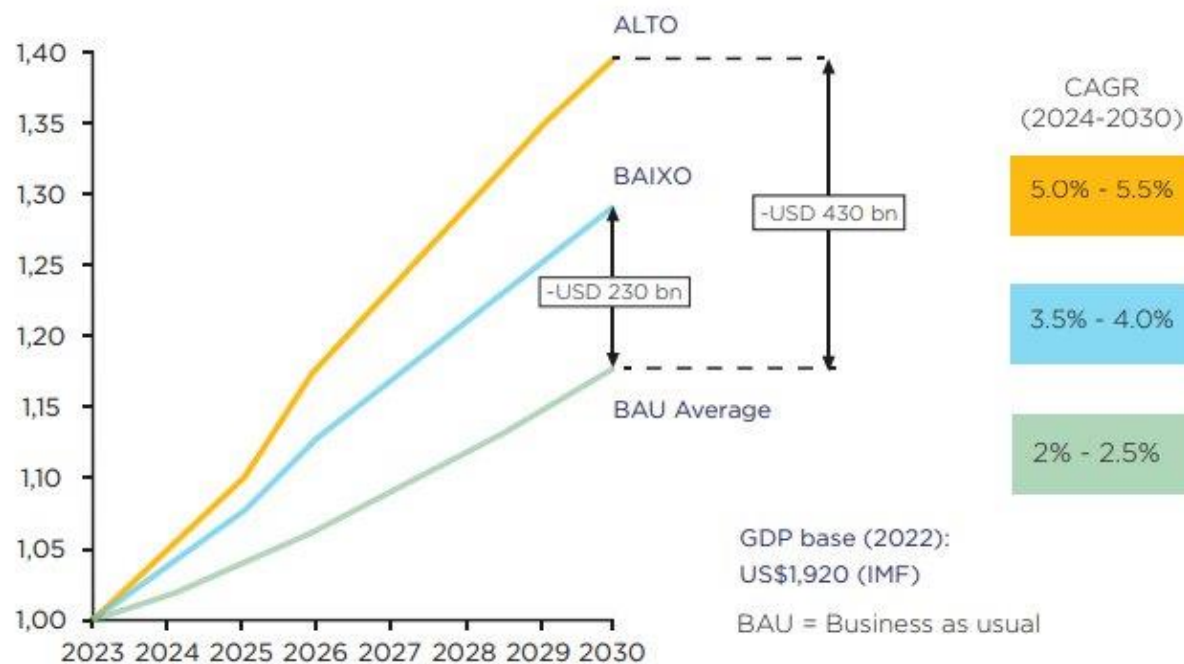
Fonte: COPPE/UFRJ

Note: The numbers represent the evolution of social indicators in a scenario of implementing policies that enable achieving carbon neutrality by 2050.

Impact of GDP growth

Figura 1: Potencial de crescimento do PIB do Plano de Transição Ecológica

Evolução do PIB em relação ao PIB de 2023 (PIB 2023 = 1)



Principais drivers para os cenários "alto" e "baixo"

- Tamanho estimado do mercado**
- Fatia de mercado brasileira**
- Níveis de produtividade**



Fonte: Banco Central do Brasil, Ministério da Fazenda e Fundo Monetário Internacional.

Source: Systemiq, CEBDS, Igarapé, MBC, UN Global Compact, Pathways for Brazil's Ecological Transformation Plan, 2024.

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